

## UNITED STATES SECURITIES AND EXCHANGE COMMISSION

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PART III Washington, DC

110 **FACING PAGE** 

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING	01/01/2010	AND ENDING	12/31/2010 MM/DD/YY	
	MM/DD/YY			
A. R	EGISTRANT ID	ENTIFICATION		
NAME OF BROKER-DEALER:			OFFICIAL USE	E ONLY
EZE CASTLE TRANSACTION SERVICES LLC  DRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)		EIDM ID A	D NO	
		····		
12 Farnsworth Street 6 <sup>th</sup> Flo	or			
Boston	(No. and Street)		02210	
(City)	(State)		(Zip Code)	
Giovanna Salamone  B. AC  INDEPENDENT PUBLIC ACCOUNTANT who		ENTIFICATION	617) 316-1119 (Area Code – Tele	ephone No.)
Ernst & Young LLP				
5 Times Square	ame – of individual, state last, firs New York	t, middle name)	. 1	10036
(Address)	(City)	(State)	(Z	Zip Code)
CHECK ONE:  X Certified Public Accountant  ☐ Public Accountant  ☐ Accountant not resident in United	States or any of its	possessions.		
	FOR OFFICIAL	LISE ONLY		
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

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#### **OATH OR AFFIRMATION**

We, David Quinlan and Giovanna Salamone, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of EZE CASTLE TRANSACTION SERVICES LLC as of December 31st, 2010, are true and correct. We further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.



David Quinlan, President

Giovanna Salamone, Controller

Mark P. Westhering

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- □ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims or Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- □ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A or Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

<sup>\*\*</sup>For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

## Statement of Financial Condition

December 31, 2010

### **Contents**

Facing Page and Oath or Affirmation	
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Ernst & Young LLP

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### Report of Independent Registered Public Accounting Firm

The Member and Board of Managers
Eze Castle Transaction Services LLC
(A Wholly-Owned Subsidiary of Eze Castle Software LLC)

We have audited the accompanying statement of financial condition of Eze Castle Transaction Services LLC (the "Company") as of December 31, 2010. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Eze Castle Transaction Services LLC at December 31, 2010, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

February 18, 2011

## Statement of Financial Condition

### December 31, 2010

Assets		
Cash and cash equivalents	\$ 5,170,725	
Receivables from brokers and dealers and unbilled revenue, net of		
allowance of \$269,558	10,530,797	
Other assets	510,248	
Total assets	\$ 16,211,770	
Tinkilising and manuhanta anate		
Liabilities and member's equity		
Liabilities:		
Accounts payable and other accrued expenses	\$ 245,617	
Due to affiliates	210,139	
Total liabilities	455,756	
Member's equity	15,756,014	
Total liabilities and member's equity	\$ 16,211,770	

The accompanying notes are an integral part of this statement of financial condition.

#### Notes to Statement of Financial Condition

December 31, 2010

#### 1. Organization and Description of Business

Eze Castle Transaction Services LLC (the "Company") is a registered broker-dealer under the Securities Exchange Act of 1934. The Company supplies sell-side brokers with Financial Information eXchange ("FIX") connectivity services for the transmittal and receipt of trading-related messages between the brokers' order management system or other electronic order collection systems and the Eze OMS, a software application developed and licensed to buy-side asset managers by Eze Castle Software LLC ("ECS" or "Parent"). Trading messages are sent through electronic connections whether physical, logical, virtual, or sponsored, and including, but not limited to, connections established for orders, indications of interest, notice of execution, drop copies, and connections staged via a third-party intermediary, between buy-side clients and sell-side brokers. The Company is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). FINRA serves as the Company's self regulatory organization.

The Company is a wholly owned subsidiary of ECS. ECS is a wholly owned subsidiary of ConvergEx Group, LLC ("Group"). ConvergEx Holdings LLC ("Holdings") and its wholly owned subsidiary Eze Castle Software, Inc. ("Eze Castle") own all of the membership interests in Group (together, Holdings, Group and Eze Castle to be referred to as "ConvergEx"). The Bank of New York Mellon Corporation ("BNY Mellon") (through its wholly owned subsidiary, Agency Brokerage Holding, LLC) and private investment funds managed by GTCR Golder Rauner, LLC, a private equity firm, each hold a 33.2 percent ownership stake in Holdings, with the remaining ownership stake held by ConvergEx's management team, directors, and employees.

#### 2. Significant Accounting Policies

The statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and codified in the Accounting Standards Codification ("ASC"), as set forth by the Financial Accounting Standards Board ("FASB"). Significant accounting policies are as follows:

#### **Use of Estimates**

The preparation of the statement of financial condition, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Actual results could differ from those estimates.

#### Notes to Statement of Financial Condition (continued)

#### 2. Significant Accounting Policies (continued)

#### Cash and Cash Equivalents

All unrestricted highly liquid investments with initial or remaining maturities of less than 90 days at the time of purchase are considered cash and cash equivalents. These investments include demand deposits, money market accounts and US Treasury bills.

#### **Allowance for Doubtful Accounts**

The allowance for doubtful accounts is based on the Company's assessment of the collectability of receivables from brokers and dealers and unbilled revenue. The Company considers factors such as historical experience, credit quality, age of balances, and current economic conditions that may affect collectability in determining the allowance for doubtful accounts.

#### Fair Value of Financial Instruments

The carrying amounts reported on the statement of financial condition for cash and cash equivalents approximate fair value based on the on-demand nature of cash and the short-term maturity and the daily pricing mechanisms of cash equivalents. Other assets and liabilities with short and intermediate-term maturities and defined settlement amounts, including receivables, payables, and accrued liabilities, are reported at their contractual amounts, which approximate fair value.

#### Other Assets

Other assets consist primarily of amounts due from affiliates.

#### **Income Taxes**

The Company is treated as a single member limited liability company for tax purposes and, as such, is disregarded for federal, state and local income tax purposes. The Company has recorded its apportioned share of state and local income taxes, including the New York City unincorporated business tax, pursuant to a tax sharing agreement ("TSA") between Group and the Company. Group, as the taxpayer of record, is responsible for payment of state and local income taxes to the taxing authorities. The tax provision for the Company has been computed in accordance with the TSA.

### Notes to Statement of Financial Condition (continued)

#### 2. Significant Accounting Policies (continued)

#### **Recent Accounting Developments**

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements).

The guidance is effective for reporting periods beginning after December 15, 2009, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which is effective for reporting periods beginning after December 15, 2010. The adoption of these changes had no material impact on the Company's statement of financial condition.

#### 3. Financial Instruments

All financial instruments are measured and reported on a fair value basis. The ASC defines fair value and establishes a framework for measuring fair value, as well as a fair value hierarchy based on inputs used to measure fair value.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Fair Value Hierarchy

Financial assets and liabilities are classified based on inputs used to establish fair value as follows:

Level 1: Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets;

#### Notes to Statement of Financial Condition (continued)

#### 3. Financial Instruments (continued)

Level 2: Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets and other valuation techniques utilizing observable inputs directly or indirectly related to the asset or liability being measured;

Level 3: Valuation techniques utilize inputs that are unobservable and significant to the fair value measurement.

At December 31, 2010, the Company did not own any financial assets or liabilities other than cash and cash equivalents or other assets and liabilities with short and intermediate term maturities and defined settlement amounts. Per the Company's accounting policies (Note 2), the carrying amounts of cash and other assets and liabilities with defined settlement amounts are reported at their contractual amounts, which approximates fair value.

#### 4. Related Party Transactions

In the normal course of business, the Company enters into related party transactions with affiliates, including ECS, and certain other affiliated entities.

On January 1, 2009, the Intercompany Support Services Agreement previously in effect between the Company and ECS was amended and superseded by the Connectivity Services Agreement ("CSA") and Servicing Agreement. Under the CSA, the Company agrees to pay ECS a partnership fee for the support services and related technology rights provided to the Company in order for it to render FIX connectivity services. The fees charged by ECS are calculated based upon a flat fee and the eligible number of FIX connections as determined by the CSA.

Under the Servicing Agreement between the Company and ECS, ECS assists the Company by providing it with certain administrative services or goods and, in turn, the Company agrees to pay ECS a monthly servicing fee to cover such expenses. The service fees charged by ECS are determined through calculated allocations.

### Notes to Statement of Financial Condition (continued)

#### 4. Related Party Transactions (continued)

At December 31, 2010, the Company owed ECS \$210,139 relating to the CSA and Servicing Agreement reflected in due to affiliates on the statement of financial condition.

Under standard Connectivity Services Agreements, the Company supplies FIX connectivity services to affiliates, including BNY ConvergEx Execution Solutions LLC ("CES"), NorthPoint Trading Partners LLC ("NP") and G-Trade Services LLC ("G-Trade"). The Company was due \$462,632, \$1,310 and \$12,785 from CES, NP, and G-Trade, respectively, at December 31, 2010 relating to these services. These amounts are reflected in other assets on the statement of financial condition.

#### 5. Regulatory Requirements

The Company is subject to the SEC's Uniform Net Capital Rule ("Rule 15c3-1"), which requires that the Company maintain minimum net capital, as defined thereunder, of one-fifteenth of aggregate indebtedness, as defined thereunder, or \$5,000, whichever is greater. At December 31, 2010, the Company had net capital of \$4,612,347, which was \$4,581,963 in excess of its minimum net capital requirement of \$30,384. The Company's aggregate indebtedness to net capital ratio was 0.1 to 1.

Advances to affiliates, repayment of borrowings, dividend payments and other equity withdrawals are subject to certain notification and other requirements of Rule 15c3-1 and other regulatory bodies.

The Company is exempt from the provisions of Rule 15c3-3 pursuant to paragraph k(1) under the Securities Exchange Act of 1934.

#### 6. Commitments and Contingencies

The Company is involved in legal proceedings concerning matters arising in connection with the conduct of the Company's businesses. The Company believes, based on currently available information and advice of counsel, that the results of such proceedings, in the aggregate, will not have a material adverse effect on the Company's statement of financial condition. The Company intends to defend itself vigorously against all claims asserted in these matters.

Notes to Statement of Financial Condition (continued)

#### 7. Concentration of Credit Risk

The Company may maintain cash and cash equivalents at financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to significant credit risks.

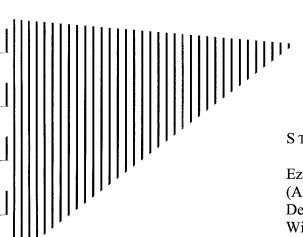
#### 8. Guarantees

In the ordinary course of business, the Company enters into standard indemnification agreements. Pursuant to these agreements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified party for certain losses suffered or incurred by the indemnified party, generally the Company's business partners or customers, in connection with certain claims by any third party with respect to the Company's products or services. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnifications agreements is unlimited. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the statement of financial condition for these indemnifications.

At December 31, 2010, Group and Eze Castle had \$750,000,000 of debt outstanding. The parent's ownership interest in the Company was pledged as security against the debt.

#### 9. Subsequent Events

The Company has evaluated all subsequent events through February 18, 2011 and has determined that no subsequent events have occurred that would require disclosure in the statement of financial condition or accompanying notes.



### STATEMENT OF FINANCIAL CONDITION

Eze Castle Transaction Services LLC (A Wholly-Owned Subsidiary of Eze Castle Software LLC) December 31, 2010 With Report of Independent Registered Public Accounting Firm

Ernst & Young LLP

#### Ernst & Young LLP

#### Assurance | Tax | Transactions | Advisory

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